

**ASSEMBLY BILL**

**No. 1163**

---

---

**Introduced by Assembly Member Rodriguez**

February 27, 2015

---

---

An act to add Section 1399.3 to the Health and Safety Code, and to add Section 769.56 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1163, as introduced, Rodriguez. Health care services plan and health insurers: agents and brokers: notice of contract changes.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance.

This bill would prohibit a material change made by a health care service plan or a health insurer to the terms and conditions of a contract between the plan or insurer and an agent or broker from becoming effective until the plan or insurer has delivered to the agent or broker, written or electronic notice of the change or changes to the contract, within a specified time period. These provisions would not apply if the material change is agreed to by the plan or insurer and the agent or broker, or if the change at issue is required pursuant to state or federal law.

This bill would exempt violations of the provisions relating to health care service plans from the from criminal offense and other disciplinary provisions of the Knox-Keene Health Care Service Plan Act of 1975.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1399.3 is added to the Health and Safety  
2 Code, to read:  
3 1399.3. (a) A material change made by a health care service  
4 plan, as defined in subdivision (f) of Section 1345, to the terms  
5 and conditions of a contract between the health care service plan  
6 and an agent or broker shall not become effective until the health  
7 care service plan has delivered to the agent or broker, at least 120  
8 days prior to the effective date of the change, written or electronic  
9 notice indicating the change or changes to the contract. For  
10 purposes of this section, “material” means a provision in a contract  
11 to which a reasonable person would attach importance in  
12 determining the action to be taken upon the provision.  
13 (b) Subdivision (a) shall not apply under either of the following  
14 circumstances:  
15 (1) The change to the contract is mutually agreed upon by the  
16 health care service plan and the agent or broker.  
17 (2) The change to the contract is required by state or federal  
18 law.  
19 (c) This section is not subject to Article 7 (commencing with  
20 Section 1386) or Article 8 (commencing with Section 1390).  
21 SEC. 2. Section 769.56 is added to the Insurance Code, to read:  
22 769.56. (a) A material change made by a health insurer, as  
23 defined in subdivision (b) of Section 106, to the terms and  
24 conditions of a contract between the health insurer and an agent  
25 or broker shall not become effective until the health insurer has  
26 delivered to the agent or broker, at least 120 days prior to the  
27 effective date of the change, written or electronic notice indicating  
28 the change or changes to the contract. For purposes of this section,  
29 “material” means a provision in a contract to which a reasonable  
30 person would attach importance in determining the action to be  
31 taken upon the provision.  
32 (b) Subdivision (a) shall not apply under either of the following  
33 circumstances:  
34 (1) The change to the contract is mutually agreed upon by the  
35 health insurer and the agent or broker.

1 (2) The change to the contract is required by state or federal  
2 law.

O